Agenda Item No

7

JOINT INDEPENDENT AUDIT COMMITTEE
27 July 2017

SUBJECT	**REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS**
REPORT BY	**CHIEF EXECUTIVE & CHIEF FINANCE OFFICER (CFO)**
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SUMMARY AND PURPOSE OF REPORT To enable the Committee to note compliance with the Police and Crime Commissioner's and the Force's governance arrangements.	
RECOMMENDATION	***That the Committee review compliance with governance arrangements.***

A. SUPPORTING INFORMATION

1.0 Purpose

1.1 The purpose of this report is to provide the Committee with a quarterly progress update on the Police and Crime Commissioner (PCC) and Force's compliance with governance arrangements.

2.0 Introduction

2.1 Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner.

2.2 The PCC and the Chief Constable have in place structures, systems and internal controls by which the police service is directed and controlled. There are also processes and procedures in place that enable the Commissioner to hold the Chief Constable to account for policing in the county. The Commissioner engages with the local people and communities to ensure robust public accountability.

3.0 Responsibilities

3.1 The Commissioner is responsible for ensuring his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner has a duty under the Policing Protocol Order 2011 to secure value for money on behalf of the public that he serves.

3.2 In discharging this overall responsibility, the Commissioner is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a

sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Commissioner places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

3.3 The Commissioner relies on an internal framework and structures supported by a number of key documents to achieve and demonstrate compliance with governance arrangements. The Annual Governance Statement (AGS) and the Code of Corporate Governance provide an overview of these mechanisms.

3.4 The **AGS** is written each year and forms part of the Financial Statements approved and published in accordance with the latest CIPFA / Solace framework and guidance[1]. The PCC's AGS is supported by the Chief Constable's AGS, which relates to the force as a separate corporation sole. The Assurance Map also feeds into the process.

3.5 As separate corporation soles, the PCC and Force have distinct responsibilities for internal governance. The respective ***Codes of Corporate Governance*** ensures that the core good governance principles are fully integrated in the business of the PCC and Chief Constable.

4.0 Compliance with Governance Arrangements – Significant Governance Issues.

4.1 The table below provides an overview of the significant governance issues in the period 23 March 2017 to 11 July 2017. Within the table are Web-links to the relevant decision notices published on the PCC's Website.

Corporate Sole	Issue	Summary	Date	Web Link
Force	FCR Telephony Infrastructure	A report to approve the replacement of the existing telephony infrastructure within the Force Control Room (FCR) at the capital cost of £659,960 and annual revenue costs of £98,310.88.	22/03/2017	https://lincolnshire-pcc.gov.uk/media/1545/010-2017-fcr-telephony-infrastructure.pdf
PCC	Policing Plan for Lincolnshire April 2017 – March 2021	This decision notice presents the approved Community Safety, Policing and Criminal Justice Plan for Lincolnshire April 2017 – March 2021. Section 5 (1) of the Police Reform and Social Responsibility Act 2011 provides that the Police and Crime Commissioner for a	31/03/2017	https://lincolnshire-pcc.gov.uk/media/1546/011-2017-policing-plan.pdf

[1] Based on the CIPFA / SOLACE - Delivering Good Governance in Local Government Framework and the Guidance Notes for Policing Bodies in England and Wales (2016).

Corporate Sole	Issue	Summary	Date	Web Link
		police area must issue a Police and Crime Plan within the financial year in which each ordinary election is held.		
PCC/Force	Allocation of Reserves	A report to a) approve the allocation of Earmarked Reserves to the Revenue Budget and the virement of existing Revenue Budget to Reserves. b) review the Revenue Spend position and make proposals for changes to the Revenue Budget 2016/17. c) highlight proposals for changes to the approved Capital Programme 2016/17.	28/03/2017	https://lincolnshire-pcc.gov.uk/media/1549/012-2017-allocation-of-reserves.pdf
Force	National Ballistics Intelligence Service (NABIS) – Collaboration Agreement	A report to approve the NABIS Section 22A collaboration agreement. The establishment of NABIS with Greater Manchester and West Midlands Police as lead forces has resulted in the need for a S22A agreement to clarify funding, governance and staffing arrangements.	16/06/2017	https://lincolnshire-pcc.gov.uk/media/1579/013-2017-nabis-decision-notice.pdf
Force	Annual Health and Safety Action Plan 2017-18	A report to approve for implementation the Force Health and Safety Action Plan for 2017-2018. This Action Plan will now be the thirteenth since the Force Health and Safety Strategy was launched.	16/06/2017	https://lincolnshire-pcc.gov.uk/media/1580/014-2017-health-and-safety-action-plan-decision-notice.pdf
Force	East Midlands Criminal Justice Service – Shared ICT Provision	A report to approve the Regional Section 22A Collaborative Agreement for a shared ICT platform for the East Midlands Criminal Justice Service (EMCJS).	16/06/2017	https://lincolnshire-pcc.gov.uk/media/1581/015-2017-emcjs-shared-ict-provision-decision-notice.pdf
PCC/Force	Allocation to Reserves 2016/17 Outturn	A report to a) provide the reserve totals required to support the totals used in the preparation of the 2016/17 financial	16/06/2017	https://lincolnshire-pcc.gov.uk/media/1582/016-2017-allocation-of-reserves-1617-outturn-decision-notice.pdf

Corporate Sole	Issue	Summary	Date	Web Link
		statements. b) confirm that the previously agreed funding is carried forward for those projects where there has been slippage c) make funding available for unavoidable cost pressures.		
PCC	Bank account overdrawn.	The PCC's bank account was overdrawn by £2.682m overnight on 25th May 2017. This was due to a recalled BACS item not returning as expected by close of business on 25th May. There were no fees or charges billed to the PCC as the bank accepted responsibility for the advice given on the timing of the recall. It was confirmed by the bank that the recalled item would be in the account by 18.30 on 25th, resulting in no further action being taken by the finance team as an overdrawn position was not expected to occur.	25/05/2017	None
Force	Inappropriate Exceptional Purchase Action	An EPA had been submitted on the basis of the existing knowledge of the Force by the consultant. However, it was then established that the service could have been provided by other consultants. Additionally, work in respect of consultancy services had initially been broken down into two contracts, each £25k (the limit above which an EPA should have been submitted). When it was established that this was just the one contract to the value of £50k, an EPA was submitted retrospectively. An internal audit on Procurement duly commenced in April.	Original occurrence January 2017, subject to internal audit April 2017	None
PCC	Treasury Management Strategy / Investment Policy	The PCC has exceeded the maximum investment time limit (6 months), £9,677.09 for 208 days (investment period - 15/03/17 to 09/10/17). The interest on a £4m investment	15/03/2017	None

Corporate Sole	Issue	Summary	Date	Web Link
		(95 day notice account) was transferred to the PCC's on call account with insufficient and misleading narrative on the bank statement to identify the source of the money. Despite pursuing enquiries with HSBC, this money was returned as an "Unidentified Receipt" back to the originating organisation on the 15/03/17. Bank statements for this notice account are only produced on request, therefore unfortunately the balance on this account wasn't identified in time to provide sufficient notice to withdraw the money within the 6 month limit. Notice was given on the 06/07/17 for funds to be returned on the 09/10/17. The learning from this, is that all investments and on call accounts should be reconciled on a monthly basis.		
Force	The raising of a Purchase Order (PO) to G4S in respect of the City of London Niche project, in advance of budget authorisation.	Following the decision in principle, to extend the number of forces using a common NICHE platform,, to include the City of London Police, the Force was requested to establish a Heads of Terms Agreement to ensure both clarity about the respective parties' obligations and financial control (establishment of a budget, cash flow forecasting, proper accounting arrangements etc) in advance of legal agreements being put in place. In the event, a Purchase Order was raised in advance of the Heads of Terms Agreement being put in place.	January 2017 (Project approval)	None

Members will note that the criteria for defining how significant governance issues are identified:[2]

- those highlighted through the Commissioner's Register of Decision Notices and through the Chief Constable's Report (decisions of interest) [3]
- those highlighted to the Police and Crime Panel through the quarterly update report.
- any additional issues highlighted through the code of corporate governance or other governance mechanisms.
- any instances when regulations are suspended (reference Finance Regulations FR4)
- any other governance issue that the Chief Executive, Chief Finance Officer or Force Chief Finance Officer wish to bring to the attention of the Audit Committee.

4.2 The CFO and Force CFO will be available at the meeting to answer any questions and provide any additional information as required by the Committee.

B. FINANCIAL CONSIDERATIONS

There are no direct financial implications arising from this report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The Commissioner has a statutory duty to carry out an annual review of his governance arrangements and to approve a statement of internal control prepared in accordance with "proper practices" - Accounts & Audit Regulations 2003 as amended.

"Proper practices" are not defined in the regulations, but in circular 03/2006 the Department for Communities & Local Government indicated that compliance with CIPFA/SOLACE guidance would satisfy the requirement for proper practices.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES (including any impact or issues relating to Children and Young People.)

The annual review of the Code of Corporate Governance will allow the Commissioner to demonstrate how effective its equality and diversity arrangements are to the governance of the organisation.

As part of its governance framework the Commissioner has various policies on employees and employers' rights in the workplace. These will be kept under regular review to ensure that they are fit for purpose for those occasions when the aspirations in the Code of Corporate Governance are not met.

[2] The issue will generally only be highlighted if it isn't already being considered by the Audit Committee through standard business i.e. through the forward plan or on individual agendas.
[3] The Commissioner is required by law to publish a record of each decision of significant public interest.

E. REVIEW ARRANGEMENTS

The Committee will receive this report on a quarterly basis. The AGS will be considered by the Committee in draft, currently by 30 June of each year and approved following audit by 30 September.

F. RISK MANAGEMENT

Without adequate corporate governance arrangements that are reviewed regularly, the Commissioner is exposed to the following risks:

- resources are not directed in accordance with agreed policy and accordingly to priorities
- decision making is not sound and inclusive
- no clear accountability for the use of those resources in order to achieve desired outcomes for communities
- service delivery is compromised.

The AGS and Code of Corporate Governance are key aspects of robust and effective governance arrangements.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.